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SUBJECT: PRESIDENT LUGO'S STATE OF THE UNION

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SUMMARY  
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¶1. (SBU) President Fernando Lugo gave his state of the union address July 1 to the Paraguayan Congress. Lugo repeated that Paraguay will maintain diplomatic relations with all countries that want to cooperate with Paraguay. He highlighted his social programs, such as cash subsidies to the poor, land for poor peasants, and free health services as his government's most successful initiatives. Lugo promised to respect private property; however, he said that the general well-being of the population as a whole should prevail over the interests of a few. Lugo said the fight against corruption is one of his government's top priorities. To mitigate effects of the global financial crisis, Lugo said that his government implemented a medium-term strategy centered on job creation through public works and credits to the private sector. Formalizing the economy, stopping contraband and ending tax evasion are some of his top economic goals. Lugo said that his government has intensified the fight against drug production, transit and trafficking. Lugo's report on his ten-month old government centered on his government platform rather than on concrete accomplishments, resembling his August '08 inauguration speech. END SUMMARY.

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LUGO'S USUAL TENETS: HIS POLITICAL PLATFORM  
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¶2. (U) President Fernando Lugo gave his state of the union address July 1 to the Paraguayan Congress. Lugo repeated his usual tenets that his government will firmly defend freedom of expression and of the press; promote social justice; renegotiate the Itaipu and Yacyreta Dam treaties; defend Paraguay's territorial sovereignty; and assist the indigenous people. Lugo said his government emphasized: a) reactivation of the economy with generation of jobs and spending on social welfare; b) promotion of a national agrarian reform; c) reform of state institutions and anti-corruption; d) judicial reform; e) recuperation of national sovereignty; and f) institution of a national social emergency program. President Lugo asked the political sectors to work with him on these issues and to place Paraguay on a better path for development.

¶3. (U) Lugo repeated that Paraguay will maintain diplomatic relations with all countries that want to cooperate with Paraguay. He said that the Cold War phantoms -- angels and devils -- are not compatible with Paraguay's foreign policy objectives. He said that Paraguay will not follow any government model but will create its own model aimed at solving Paraguay's problems. Lugo said Paraguay's foreign policy themes are recuperation of Paraguay's national sovereignty, Latin American integration, and establishment of an international multi-polar system as a tool for equilibrium and respect. He said that Paraguay will work to strengthen bilateral and multilateral diplomatic relations with all countries and will pursue new and strengthen existing bilateral and multilateral agreements, especially URUPABOL, UNASUR, ALADI, and the South American Defense Council.

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SOCIAL PROGRAMS: LUGO'S BIGGEST SUCCESSES  
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¶4. (U) Lugo highlighted his social programs, such as cash subsidies to the poor, land for poor peasants, and free health services as his government's most successful initiatives. Lugo pointed out that his government concentrated on social programs, such as helping the poor peasants and working-class organizations to close the wealth gap and to achieve social changes. The process of change, according to Lugo, will necessarily include a frontal fight against the "cancer of corruption," modernization of the state, and improved efficiency in the public sector. President Lugo talked about education with emphasis on social actions to "decrease economic factors that produce structural poverty." Lugo said that he wanted a "Paraguay in which everyone can grow." He emphasized that he will govern on behalf of the "have-nots," to give them land, housing, health care, education and public assistance to allow them to live with dignity.

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RESPECTING PRIVATE PROPERTY  
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¶5. (U) Lugo promised to respect private property; however, he said that the general well-being of the population as a whole should prevail over the interests of a few. He said that despite opposition from the oligarchy and privileged elite, his administration will pursue agrarian reform and "apply without restrictions the principle of private property's social functions." He said agrarian reform is an irrefutable government plan. Lugo said that the poor conditions in which the peasants live are due to poor distribution of the land. Since August '08, his government has distributed 94.4 thousand hectares of land to six thousand families and another 99.7 thousand acres will be given to landless peasants in the next few months.

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FRONTAL FIGHT AGAINST CORRUPTION  
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¶6. (U) Lugo said that fight against corruption is one of his government's top priorities. His administration is working to strengthen institutions by making them more transparent, efficient, and accountable and by improving workers' professionalism and skills. Lugo indicated that his administration emphasizes austerity and control of public goods to prevent abuses and illicit acquisition and ostentation of wealth by politicians in government while the grand majority suffers in poverty.

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FIXING THE ELECTRICITY PARADOX  
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¶7. (U) Lugo said that his government will remedy Paraguay's paradox as the biggest producer of electricity in South America but that suffers chronic energy shortages. The President said that for the first time in 35 years, Paraguayan officials seek to regain "energy sovereignty" from Brazil and Argentina, with which it shares ownership of the two bi-national electric dams -- Itaipu and Yacyreta. Lugo said his administration's biggest success is to convince Brazilian authorities to agree to negotiate Itaipu's administration and the price of electricity. Lugo's government will continue insisting Argentina and Brazil renegotiate the terms of the two dam treaties.

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STRATEGY TO MITIGATE ECONOMIC CRISIS AND  
ECONOMIC REACTIVATION  
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¶8. (U) To mitigate effects of the global financial crisis, Lugo said that his government implemented a medium-term strategy centered on job creation through public works and credits to the private sector. Lugo said that in an attempt to create jobs, the Ministry of Public Works spent USD 100 million paving 1,500 kilometers of new roads and repaving 350 kilometers of existing roads and building bridges. To reactivate the economy, Lugo pointed out that his administration is negotiating international credits and loans from various multilateral institutions, such as the World Bank and the Inter-American Development Bank.

¶9. (U) Formalizing the economy, stopping contraband and ending tax

evasion are some of his top economic goals. He said that economic growth should be for all and not for a few who "benefit from the sweat and deprivation of others." Lugo said that his government places great emphasis on helping the poor, which, Lugo said comprises forty percent of the population (twenty percent live in extreme poverty). Lugo emphasized that the only way Paraguay will emerge from developing country status is through ethical and dignified work based on fair wages.

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FIGHTING DRUG, PRODUCTION, TRANSIT AND TRAFFICKING  
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¶10. (U) Lugo said that his government has intensified the fight against drug production, transit and trafficking. Lugo emphasized that Paraguay's antinarcotics secretariat (SENAD) conducted important operations in coordination with international organizations to combat illegal drug trafficking and to dismantle international drug trafficking organizations. In ten months, SENAD seized 201.4 kilograms of cocaine, 64 tons of marijuana and 2.5 thousand kilograms of crack and destroyed 836 hectares of marijuana, in total representing USD 28 million in seizures, which is ten times SENAD's annual budget.

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COMMENT  
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¶11. (SBU) Lugo's report on his ten-month old government centered on his government platform rather than on concrete accomplishments, resembling more his August '08 inauguration speech. While critics say Lugo has little to show in terms of results, he did a very thorough review of his governments small successes to date, as well as its challenges. Much of the press coverage, however, was somewhat negative, showing several members of Congress dozing off during Lugo's two-hour long speech. END COMMENT.